



HOUSE OF REPRESENTATIVES

COMMITTEE ON TAX POLICY

REP. MATT HALL

CHAIR

COMMITTEE MEETING MINUTES

Wednesday, April 28, 2021 10:30 AM Room 352, House Appropriations, State Capitol Building

The House Committee on Tax Policy was called to order by Chair Hall.

The Chair requested attendance be called:

Present: Reps. Hall, Tisdell, Calley, Farrington, Steven Johnson, Meerman, O'Malley, Beeler, Outman, Yancey, Ellison, Brixie, Kupp, Neeley, Cavanagh.

Absent: None.

Excused: None.

Representative O'Malley moved to adopt the meeting minutes from April 21, 2021. There being no objection, the motion prevailed by unanimous consent.

The Chair laid SB 25 before the committee:

SB 25 (Sen. Barrett)

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending section 30 (MCL 206.30), as amended by 2020 PA 65.

Representative Tisdell moved to report out SB 25 with recommendation. The motion prevailed 14-0-1:

FAVORABLE ROLL CALL

Yeas: Reps. Hall, Tisdell, Calley, Farrington, Steven Johnson, Meerman, O'Malley, Beeler, Outman, Yancey, Ellison, Brixie, Neeley, Cavanagh.

Nays: None.

Pass: Rep. Kupp.

The Chair laid HB 4288 before the committee:

HB 4288 (Rep. Tisdell)

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," (MCL 206.1 to 206.713) by adding

sections 254 and 675 and part 4.

Aaron Keel and David Foos, representing the Michigan Department of Treasury, testified in opposition to HB 4288. Questions and discussion followed.

Representative Tisdell moved to adopt substitute (H-1) to HB 4288. The motion prevailed 15-0-0:

FAVORABLE ROLL CALL

Yeas: Reps. Hall, Tisdell, Calley, Farrington, Steven Johnson, Meerman, O'Malley, Beeler, Outman, Yancey, Ellison, Brixie, Kuppa, Neeley, Cavanagh.

Nays: None.

Pass: None.

Representative Brixie offered the following amendment to HB 4288 (H-1):

1. Amend page 20, following line 6, by inserting:

"Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed under this part upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

(a) On and after October 1, 2007 and before October 1, 2012, 4.35%.

(b) Except as otherwise provided under subdivision (c), on ~~On~~ and after October 1, 2012, 4.25%.

~~—(c) For each tax year beginning on and after January 1, 2023, if the percentage increase in the total general fund/general purpose revenue from the immediately preceding fiscal year is greater than the inflation rate for the same period and the inflation rate is positive, then the current rate shall be reduced by an amount determined by multiplying that rate by a fraction, the numerator of which is the difference between the total general fund/general purpose revenue from the immediately preceding state fiscal year and the capped general fund/general purpose revenue and the denominator of which is the total revenue collected from this part in the immediately preceding state fiscal year. For purposes of this subdivision only, the state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall determine whether the total revenue distributed to general fund/general purpose revenue has increased as required under this subdivision based on the comprehensive annual financial report prepared and published by the department of technology, management, and budget in accordance with section 23 of article IX of the state constitution of 1963. The state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall make the determination under this subdivision no later than the date of the January 2023 revenue estimating conference conducted pursuant to sections 367a through 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date of each January revenue estimating conference conducted each year thereafter. As used in this subdivision:~~

~~—(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 times the difference between a fraction, the numerator of which is the Consumer Price Index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the Consumer Price Index for the 2020-2021 state fiscal year, and 1.~~

~~——(ii) "Total general fund/general purpose revenue" means the total general fund/general purpose revenue and other financing sources as published in the comprehensive annual financial report schedule of revenue and other financing sources — general fund for that fiscal year plus any distribution made pursuant to section 51d.~~

(2) Except as otherwise provided for December 1, 2018 through September 30, 2019, beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For December 1, 2018 through September 30, 2019 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 0.954% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963.

(3) In addition to the distributions under subsections (2) and (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from the revenue collected under this section an amount equal to 3.5% of the average amount of farmland tax credits claimed under section 36109 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state fiscal years shall be deposited into the agricultural preservation fund created in section 36202 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36202.

(4) In addition to the distributions under subsections (2) and (3) and sections 51d, 51e, and 51f, and subject to the limitation under this subsection, beginning with the 2018-2019 state fiscal year and each fiscal year thereafter, from the revenue collected under this section \$69,000,000.00 shall be deposited into the renew Michigan fund created in section 51g. However, if, in any 1 of the 2018-2019 through the 2021-2022 state fiscal years, the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance established under section 20 of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then no money shall be deposited into the renew Michigan fund pursuant to this subsection for that fiscal year.

(5) The department shall annualize rates provided in subsection (1) as necessary. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(6) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this part.

(7) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this part. The credit shall be all or a proportionate part of any tax paid by the trust under this part for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(8) The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of 26 USC 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this part with respect to property owned outright.

(9) It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this part.

(10) As used in this section:

~~—(a) "Consumer Price Index" means the United States Consumer Price Index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.~~

~~—(b) "Inflation rate" means the annual percentage change in the Consumer Price Index, as determined by the department, comparing the 2 most recent completed state fiscal years.~~

(a) ~~(c)~~ "Person other than a corporation" means a resident or nonresident individual or any of the following:

(i) A partner in a partnership as defined in the internal revenue code.

(ii) A beneficiary of an estate or a trust as defined in the internal revenue code.

(iii) An estate or trust as defined in the internal revenue code.

(b) ~~(d)~~ "Taxable income" means taxable income as defined in this part subject to the applicable source and attribution rules contained in this part."

Representative Brixie spoke to her amendments.

Representative Brixie moved to adopt the amendments to HB 4288 (H-1). The motion did not prevail 6-9-0:

UNFAVORABLE ROLL CALL

Yeas: Reps. Yancey, Ellison, Brixie, Kuppa, Neeley, Cavanagh.

Nays: Reps. Hall, Tisdell, Calley, Farrington, Steven Johnson, Meerman, O'Malley, Beeler, Outman.

Pass: None.

Discussion on the bill followed.

Representative Tisdell moved to report out HB 4288 with recommendation, as substitute (H-1). The motion prevailed 9-1-5:

FAVORABLE ROLL CALL

Yeas: Reps. Hall, Tisdell, Calley, Farrington, Steven Johnson, Meerman, O'Malley, Beeler, Outman.

Nays: Rep. Brixie.

Pass: Reps. Yancey, Ellison, Kuppa, Neeley, Cavanagh.

The Chair laid the following before the committee:

Presentation: Tobacco Product's Act

Nathan Leaman George Bennett, representing the Michigan Distributors and Vendors Association, before the committee. Questions and discussion followed.

Michael Lafave, representing the Mackinac Center for Public Policy, testified before the committee.

There being no further business before the committee, Rep. Matt Hall adjourned the meeting

at 12:00 PM.

Representative Matt Hall, Chair

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